

Liontrust Global Innovation Investment Process

PHILOSOPHY

The Global Innovation team believes innovation is the biggest driver of stock returns. Innovative companies achieve higher returns than the market as has been demonstrated by rigorous academic evidence and borne out in the team's own extensive experience. This is because innovative companies have better fundamentals, namely:



1. Better growth



2. Better barriers to competition



3. More resilient and adaptable in tough times

The Innovation Curve: Disruptors and Leaders

The Innovation Curve below illustrates an innovative company's journey from 'disruptor' to 'leader' as it shakes up and then dominates its industry. Companies that do not innovate in the end are disrupted.



Liontrust Global Dividend Fund
INCOME AND CAPITAL GROWTH
Best-in-class companies maintaining their lead through continual innovation



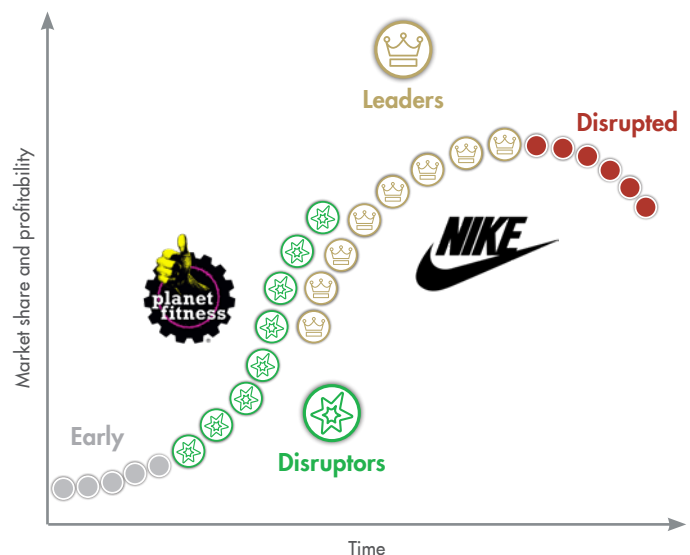
Liontrust Global Innovation Fund
CAPITAL GROWTH
Companies with major growth opportunities through innovation



Liontrust Global Technology Fund
CAPITAL GROWTH – TECH SECTOR
Innovative technology companies driving the world forward

The **Global Dividend Fund** invests in the innovative leaders on the upper, gold section of the curve. These are best-in-class companies that possess the rare capability to continually innovate to stay in front, driving strong capital and dividend growth at lower risk than the market.

The **Global Innovation Fund** invests in the disruptors on the lower, green section of the curve. These are innovative companies with big growth opportunities and building the market's strongest barriers to competition. As they grow and become dominant, they drive high stock returns.



The **Global Technology Fund** invests in both the disruptors and leaders in the technology sector. This combination provides exposure to technology companies with the highest quality and the greatest potential to drive high stock returns.

The team only invests in financially strong companies with a good operational track record. They avoid the very high risks of investing on the earliest part of the journey at the very bottom of the innovation curve and in disrupted companies on the unenviable red part of the curve.

PROCESS

The team selects innovative companies through the following four-stage process:



Stage 1: Narrow universe

The team limits its investible universe to publicly-listed companies with a market capitalisation above \$1 billion and high-quality balance sheets. These requirements remove about 90% of listed companies, leaving around 4,000 companies.



Stage 2: Global Innovation 200 watchlist

The Global Innovation 200 Watchlist is a list of the most innovative companies around the world across all sectors, which the team has built over the past decade through bottom-up company and industry research, aided by their industry networks. Each year, the team typically adds 10 to 20 new companies and removes about the same number of laggards. Each company on the list has four attributes:

1) Innovation: Create Value

An innovative company is one that creates value for customers through new ideas. Value for customers means lower prices or higher quality products and services.

2) Barrier: Capture Value

If innovation can be easily replicated, then nobody makes a profit. Barriers to competition such as IP, network effects or strong brands enable innovators to capture value for shareholders.

3) Management: Execute

Successful innovation requires good management with vision and the capability and alignment to execute.

4) Evidence: ROIC

The team evaluates the strength of a company's innovation, barriers to competition and management through returns on invested capital.



Stage 3: Valuation and Risks

Once a company is on the Global Innovation 200 Watchlist, its inclusion in any of the team's funds is determined by its upside. The team targets a 15% annualised total return based on a long-term DCF valuation supported by an analysis of valuation multiples. As part of valuation, the team conducts a risk assessment of all material factors.



Stage 4: Portfolio Management

There are three main elements of the team's portfolio management approach:

- Holding weights:** 1% to 5%, determined by each holding's current upside, risk and contribution to the diversification of the fund
- Monitoring:** the team monitors both company fundamentals and stock price on an ongoing basis, adjusting holding weights in response to changes to the upside
- Sell discipline:** the team's typical expected holding period is three to five years. However, irrespective of the holding period, the stock will be sold if triggered by one of three events:
 - Target price hits its target
 - There is a better opportunity on the watchlist
 - There is a breakdown in the fundamentals of the company

The team reviews portfolio risks on a weekly basis.

Other Details

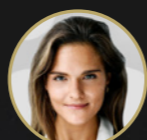
- The Global Innovation team manages the Liontrust Global Innovation Fund, Global Dividend Fund and Global Technology Fund
- The team is led by Storm Uru and James Dowey, supported by Clare Pleydell-Bouverie and James O'Connor
- The team's origins date back to 2013 when Storm and James began working together at Neptune Investment Management



Storm Uru



James Dowey



Clare Pleydell-Bouverie



James O'Connor

Engagement

The Global Innovation team engages its companies on all factors material to its investment process.

More information

Available at: www.liontrust.co.uk/fund-managers/global-innovation

Key Risks

Past performance is not a guide to future performance. The value of an investment and the income generated from it can fall as well as rise and is not guaranteed. You may get back less than you originally invested. We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments.

The issue of units/shares in Liontrust Funds may be subject to an initial charge, which will have an impact on the realisable value of the investment, particularly in the short term. Investments should always be considered as long term.

Investment in the Fund involves foreign currencies and may be subject to fluctuations in value due to movements in exchange rates. The Fund may invest in emerging markets/soft currencies or in financial derivative instruments, both of which may have the effect of increasing volatility.

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